

## EXHIBIT 1-E

### GUIDELINES ON FIRM COMMITMENT OF NON-TSEP FUNDING

#### Purpose of Guidelines

There are several reasons why guidelines on committed funds are necessary:

- To comply with MDOC's statutory responsibility to ensure that matching funds are committed for a project before TSEP funding is provided, and subsequently to comply with the terms of the contract between MDOC and the local government.
- To prevent a situation where a project is started but cannot be finished or payment to contractors is delayed because the local government's matching funds are not firmly committed.
- To clearly identify for local governments what must be done to get their matching funds committed.

#### Procedure

**At any time that a local government has all matching funds firmly committed for the project, TSEP funds would be provided for all eligible project expenses incurred by the local government.** However, prior to having all matching funds available for the project, a two-step approach can also be used to provide TSEP funds to local governments:

**Step 1** Upon receiving specific documentation documenting a firm commitment of a project's funding (which is determined by the type of matching funds), a limited "Notice to Proceed" will be issued and MDOC will provide TSEP funds for eligible project expenses as they are incurred (such as project administration, land acquisition, and final engineering), except for actual construction expenses. The limited "Notice to Proceed" will specify what the TSEP funds can be used for.

**Step 2** Once all matching funds are actually committed for the project, a full "Notice to Proceed" will be issued and MDOC will provide TSEP funds for all eligible project expenses as they are incurred including construction expenses.

This approach provides local governments with the flexibility to plan the project, but it helps to prevent a situation where the project cannot be finished because the local government does not have all of the funds necessary to complete the project.

The process for obtaining TSEP funds is defined as follows for the different types or forms of matching funds:

## **A. Grants and Other Government Appropriated Funds**

With a letter from the funding agency stating that funding has been approved (or appropriated, when appropriate), MDOC will provide TSEP funds for all eligible project expenses as they are incurred. The letter should indicate the agency's approval of a final application for the project, and/or the existence of a signed contract between the funding agency and the local government, and indicate when funds will be available.

If the project has been split into multiple phases by the funding agency, the letter should state that a portion of the funding has been approved or authorized and the agency is committed to approving or authorizing the remainder of the funding within a reasonable amount of time. The letter should discuss the phasing of the project and the expected timetable for approving or authorizing the funding for the project. Depending on the firmness of the commitment of the other funds and the likelihood that the entire project will be completed: 1) TSEP funds may be provided in the same proportion as is being provided by the other funding agency; or 2) TSEP funds may be withheld until the final phase when all funds are firmly committed.

While some funds may be authorized they are not always completely appropriated for the entire project. MDOC will evaluate these situations for the firmness of the commitment on a case-by-case basis.

Depending on the funding source and the level of commitment that they can provide, MDOC may use the two-step approach to providing funds for the project:

**Step 1** Depending on the degree of commitment, a limited "Notice to Proceed" will be issued and MDOC will provide TSEP funds for eligible project expenses as they are incurred (such as project administration, land acquisition, and final engineering), except for actual construction expenses. The limited "Notice to Proceed" will specify what the TSEP funds can be used for.

**Step 2** Once the matching funds are fully committed so that the matching funds or an interim financing source is able to reimburse project expenses, a full "Notice to Proceed" will be issued and MDOC will provide TSEP funds for all eligible project expenses as they are incurred including construction expenses.

State and Federal funds that have been authorized, but have not yet been completely appropriated, potentially may be viewed as fully committed. These types of matching funds will be evaluated on a case-by-case basis to determine how much has been appropriated, the likelihood of the remaining funds being received, and when they would likely be received in order for the project to be completed. Depending on the firmness of the commitment: 1) all of the TSEP funds may be provided for project expenses as they are incurred, including construction; or 2) a portion of the TSEP funds may be provided (in the same proportion as is being provided by the other funding agency).

## B. Local Government Funds

Local governments sometimes provide their match using reserve funds or their annual budgeted funds. With a budget or a budgetary authority resolution (see exhibit 4-A) approved and adopted by the governing body, specifically designating the source of funds that will be available for the TSEP project, MDOC will provide TSEP funds for all eligible project expenses as they are incurred.

At its discretion, MDOC may allow the project to be broken down into discrete phases that can be funded with local funds that are budgeted over multiple years. For example, a project involving multiple bridges; the county could build one or more bridges each year with the funds that it can appropriate within a year and complete the project over multiple years. Only a portion of the TSEP funds will be released with each phase, in proportion to the overall total amount of the project.

## C. Loans (Revenue Bonds, General Obligation Bonds, Special Improvement Districts, Rural Improvement Districts)

**Step 1** If the conditions as described below are met, a limited “Notice to Proceed” will be issued and MDOC will provide TSEP funds for eligible project expenses as they are incurred (such as project administration, land acquisition, and final engineering), except for actual construction expenses. The limited “Notice to Proceed” will specify what the TSEP funds can be used for.

Loans to Municipalities or Counties,  
which require a vote  
by only the governing body  
(e.g. Revenue Bond)

Loans to Districts (Revenue Bonds), or  
other types of financing, for all types of local  
governments, which require a vote  
by the general population or users  
(e.g. SID, G.O. Bond)

### SRF loan

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• “Commitment Agreement” or “Letter of Approval for State Revolving Fund Loan Program in Lieu of Commitment Agreement”, adopted by Resolution</li></ul> | <ul style="list-style-type: none"><li>• “Commitment Agreement” or “Letter of Approval for State Revolving Fund Loan Program in Lieu of Commitment Agreement”, adopted by Resolution</li><li>• Successful certified debt election results (attach supporting documents)</li></ul> |
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### RUS loan

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| <ul style="list-style-type: none"><li>• “Letter of Conditions” from RUS</li><li>• “Letter of Intent to Meet Conditions” signed and returned to RUS<br/><i>FORM: RD 1942-46</i></li></ul> | <ul style="list-style-type: none"><li>• “Letter of Conditions” from RUS</li><li>• “Letter of Intent to Meet Conditions” signed and returned to RUS<br/><i>FORM: RD 1942-46</i></li></ul> |
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- “Request for Obligation of Funds”  
*FORM: RD 1940-1*

- “Request for Obligation of Funds”  
*FORM: RD 1940-1*
- Successful certified debt election results  
(attach supporting documents)

## **Step 2**

If the conditions as described below are met, a full “Notice to Proceed” will be issued and MDOC will provide TSEP funds for all eligible project expenses as they are incurred including construction expenses.

Loans to Municipalities or Counties,  
which require a vote  
by only the governing body  
(e.g. Revenue Bond)

Loans to Districts (Revenue Bonds), or  
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committed to complete project

If the TSEP recipient changes one of its sources of funding, or if the cost of the project increases, after obtaining the firm commitment of non-TSEP funds, and additional funding is required from existing or new sources, MDOC may at its discretion suspend the “Notice to Proceed,” thereby temporarily stopping the distribution of TSEP funds until there is once again a firm commitment of funds for the project.

